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HRI Food Service Sector

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Report Highlights: High employment rate and high living standard have resulted in rising consumption of food eaten away from home. In the HRI sector, fast food outlets have the highest growth potential. HRI firms receive the major share of their food needs from wholesalers. Some is directly imported, particularly from EU countries, creating opportunities for U.S. exporters with warehouses in Europe.

Includes PSD changes: No
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I. Market Summary

Rising standards of living and a high employment rate coupled with declining time for home cooking have resulted in growing consumption of food eaten away from home. The main beneficiaries of this trend have been fast food and catering companies. An estimated 1.5 - 1.8 million mouths are fed by institutional catering organizations during weekdays. Conventional and upper class restaurants are also doing well. As economic forecasts for the near future are good, consumption of food eaten away from home should continue to increase.

The overwhelming volume of products used by the HRI sector is purchased from domestic wholesalers, some of whom specialize in supplying this sector. In addition, direct purchases from producers are carried out. Some in the HRI sector import themselves, but these buy mainly from EU countries. Direct imports from the U.S. are small.

Food imports total around U.S.\$4 billion. The major share comes from other EU countries, particularly Germany. Food imports show a rising trend.

Tourism is a highly seasonal but important economic factor in Austria. Each year about 80 million overnight stays by foreigners are recorded. More than 60% come from Germany, followed by other European countries. Tourist infrastructure is well developed, particularly in the main tourist areas of western and southwestern Austria.

Gastronomy of Hotels, Restaurants, Fast Food Restaurants, Cafes, and Nightclubs in 1996 (most recent figures)

Number and Turnover of Foods and Beverages

Locality	Number	Gastronomic Turnover in Million U.S. Dollars
Hotels	9,793	3,609
4 - 5 Stars	2,065	1,343
1 - 3 Stars	7,728	2,266
Restaurants	18,176	4,280
Top restaurants	319	249
Freeway oasis restaurants	346	188
Other local restaurants	15,074	3,229
Italian restaurants	1,289	355
Chinese	692	123
Other ethnic restaurants	458	136
Fast-food restaurants	1,586	446

Quick restaurants	806	117
Buffets	615	75
Self-service restaurants	165	254
Cafés	5,946	1,456
Night clubs serving food	2,245	567
Discos	196	83
Bars	356	35
Others	1,692	406
Total	37,746	10,378

Institutional Meals

Provision of Meals by Economic Sectors

Sector	Number of employees	Share receiving company meals
Metal and chemical industry	100,400	75
Other industry	328,300	61
Construction, transport, energy	520,400	41
Metal processing (small enterprises)	296,100	58
Banking, insurance, real estate	245,500	40
Trading	431,800	54
Other	1,071,300	53
Total	2,993,800	52

Mobile Meal Services

Province	Organization	Daily meals supplied
Vienna	Red Cross, people aid	9,000
Lower Austria	Municipalities	6,000
Other	Red Cross, municipalities, Caritas, People Aid	9,000
Total		24,000

Daily Meals in Retirement Homes

Province	Number of homes	Number of persons
Vienna	30	8,800
Lower Austria	78	5,600
Upper Austria	98	10,800
Other	311	17,700
Total	517	42,900

Number of Persons Consuming Institutional Meals

Institution	Consumed/day
Companies	1,551,400
Institutions for handicapped	1,800
Children homes	4,600
Prisons	6,700
Wellness institutions	7,100
Old people homes	42,900
Military institutions	43,700
Hospitals	65,600
Various nursery schools	101,900
Schools, including boarding schools	17,700
Universities	15,500
Mobile meal service	23,800
Total	1,882,700

Advantages and Challenges Facing U.S. Products

Advantages	Challenges
High quality of U.S. products	Unawareness of U.S. quality should be countered by market development measures.
Intensified tourist trips by Austrians to the U.S. in recent years (relatively low dollar) introduced them to more American products.	Products of other EU members enter the country duty-free whereas U.S. products are subject to EU tariffs.
Good image of certain products (dried fruits, tree nuts)	Higher prices of U.S. products.
Good reputation of U.S. high quality beef (HQB) with upper class consumers. Good demand by upper class restaurants.	For common population, U.S. beef is associated with “hormone production”. Thus, it is not accepted in average restaurants.
Niche market for various products.	Compliance with strict food regulations..
Food imports are rising.	Import increase mainly benefits other EU countries.

II. Road Map for Market Entry

A. Entry Strategy

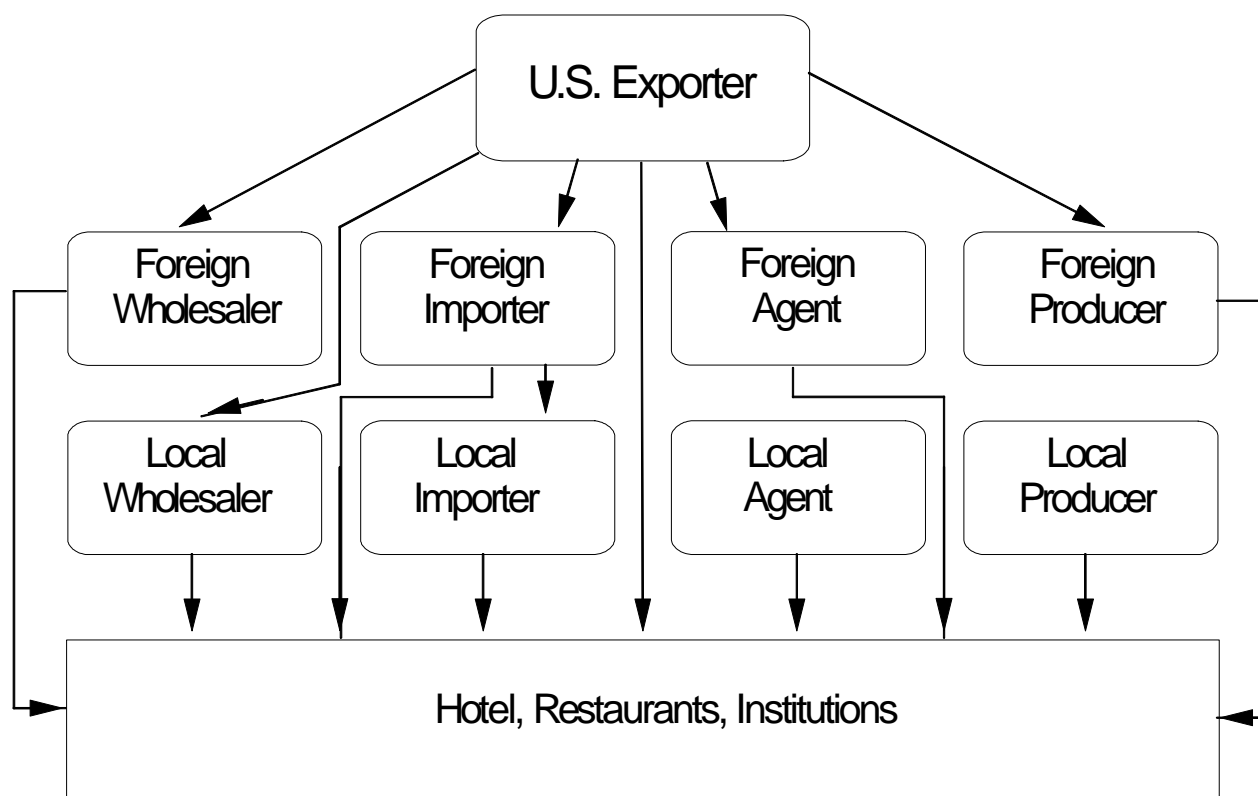
The common way to establish business contacts with Austrian HRI firms is through wholesalers. There is also some opportunity by offering U.S. products directly to large and upper-class HRIs, which, however, would import them through traders.

U.S. traders participating at food fairs have opportunities to invite Austrian traders and food purchasers of HRIs to their booths. One or more employees of the larger Austrian trade companies always attend the international food fairs in Cologne (ANUGA) and Paris (SIAL). In addition, the regional food fairs in Brno, Czech Republic (Salima) and Budapest, Hungary (Foodapest) are usually visited by Austrian food traders. As the above-mentioned fairs are large and close, Austrians rarely bother to go to U.S. shows. Information on these shows is available via our web site <http://www.usembassy-vienna.at/usda/wwwhag05.html>

U.S. products may also enter the Austrian market through agents with good relations to importers/wholesalers.

B. Market Structure

HRI Distribution Channels



In general, all large HRI firms buy through local importers, local wholesalers, cash-and-carry stores, and directly from local producers. HRI buyers in areas close to the EU member-state borders (Germany) buy also from foreign traders and producers. Ability to deliver quickly is crucial.

Small HRI firms buy predominantly from wholesalers, cash-and-carry stores, and even large retailers, such as hypermarkets. Cash-and-carry stores sometimes offer delivery. Fresh products may be delivered directly from producers, such as dairy processors and farms. Certain catering companies and institutions get a large share of their product needs through a headquarters which buys centrally.

The wholesalers supplying HRI buyers include both standard food wholesalers and special wholesaler serving only HRIs. They provide local and imported products, and usually offer delivery. Direct imports are negligible.

C. Sub-Sector Profiles

1. Hotels and Resorts

Hotel and Resort Company Profile

Name	Food and Beverage Turnover (in Million U.S. Dollars)	Number and Location of Hotels	Purchasing Agent
Intercontinental	12	1 in Vienna	Wholesaler, producer, marginal import
Hilton	Not available	2 in Vienna	Mainly central purchasing, wholesaler, producer, marginal import
Radisson SAS Palais Hotel	8	1 in Vienna 2 in Salzburg	Individual purchase, predominantly wholesaler, some producer
Starwood Hotels and Resorts	21	Imperial in Vienna Bristol in Vienna Palais Ferstel in Wien Golden Deer in Salzburg	Central purchase, wholesaler, producer
Marriott	8	1 Marriott in Vienna 2 Renaissance in Vie 1 Renaissance in Salzburg 1 Renaissance in Linz	Most products centrally purchased, Contracts with some wholesalers, some purchase from producers, little import (from EU)
Accor	Not available	15 Novotel and Mercure hotels in all over Austria including Vienna	Individual purchase, wholesaler, producer
Schick	Not available	5 hotels in Vienna	Individual purchase, wholesaler, producer
Arcotel	Not available	7 hotels in Vienna	Individual purchase, wholesaler, producer
Steigenberger	Not available	5 in Austria	Individual purchase, wholesaler, producer, some direct import

With a turnover of ATS 38 billion in 1996, hotels have the third largest food-related turnover in this sector. This sector is highly sophisticated and is experienced in catering to international clientele. The highly developed

tourist provinces of Tyrol, Salzburg, and Carinthia have the highest numbers of hotels. These areas have also the highest numbers of 4- and 5-star hotels. Tourism in these provinces centers on winter sports and, in summer, on attracting tourists from nearby European countries. Winter tourism is usually stronger than that of summer. In Vienna, the capital city, general tourism, business travel, and conventions play an important role throughout the year with peaks in summer. In general, tourism recovered from a slump in the last two years across all of Austria.

In addition to hotels belonging to international and national hotel chains, there are many hotels owned by individuals. Most hotel restaurants offer catering and party service.

2. Restaurants

a. Family Style Restaurants Company Profile

Name	Turnover (in Mil U.S. \$)	Number of Outlets	Purchasing Agent
Rosenberger	70	20	Head office has contracts with wholesalers, but restaurants buy individually.
Schnitzelplatzl	60	13 in Vienna 3 in other parts of Austria	Central purchase, wholesalers, producers
Schnitzelhaus	Not available	30 in Vienna 10 in eastern Austria	Central purchase, wholesalers, producers, some import
Wiener Wald	57	18	Central purchase, wholesalers, producers, some import

The number of chain restaurants has been rising for many years, whereas numbers of small traditional ones are declining. Ethnic restaurants have expanded considerably in the recent past. However, at present, gastronomists believe that this trend is slowly reversing. In their opinion, the Austrian population is both turning back to more traditional foods and adopting fast food.

According to a recent study, meals of the following cuisines are currently eaten: traditional Austrian 61%, light and healthy 21%, ethnic 12%, fast food 4%, other 2%.

b. Fast Food

Name	Turnover (in Million U.S. Dollars)	Number of Outlets	Purchasing Agent
Pizza Mann	13	30 all over Austria	Central purchase, wholesalers, producers, import
Pizza Hut	4	5	Central purchase, wholesalers, producers, import
Subway	Not available	4	Individual from approved wholesalers producers, import
McDonald's	148	123	Central purchase, wholesalers, producers, import

A shortage of time for meals on work days has resulted in a booming fast food market. The turnover of fast food outlets has grown considerably in recent years. It is currently estimated at U.S. \$1.2 billion and comprises fast food in restaurants, bakeries, meat shops, pizza, and hot dog stands. At 33%, individual hot dog stands represent the largest share on the fast food market. The fast food chains place second (24%), followed by meat shops (19%), traditional gastronomy (non- fast food restaurant chains) 17%, and bakeries (7%).

The fast food chains are spread over 239 locations of which McDonald's is represented in 117 locations. The outlet density is 33,731 inhabitants per fast food outlet. This means the market is not yet saturated.

3. Institutional Gastronomy

Company cafeterias are increasingly being served by catering firms. The number of private hospitals, nursing and retirement homes is small. Most of them belong to municipalities, provincial governments, and social security authorities. Purchasing of foods and beverages of private hospitals and nursing or retirement homes is usually carried out individually from wholesalers. Municipal hospitals and nursing or retirement homes buy long shelf life products centrally and fresh products individually. Schools which serve meals are in general served by caterers. Those which cook for themselves buy individually from wholesalers.

Catering Company Profile

Name	Turnover	Number of Outlets	Purchasing Agent
Airest	80	1 in Vienna 4 in provincial capitals	Central purchase, wholesalers, producers, import
Gourmet	40	1 in St. Polten	wholesalers, producers, import
Dussmann	12	35 all over Austria	Central purchase, wholesalers, producers
Austrian Mensa Company	17	6 in Vienna 16 in other university cities	Central purchase, wholesalers, producers
Gustana		1 in Vienna	Central purchase for all Wigast daughter companies. Wholesaler, producer, and import
Club Menu Service	Club Menu Service, Vitana, Wiener Wald and Wigast	16 mainly in eastern Austria	
Vitana	belong to the Wigast concern which has in Austria a total	1 in Vienna	
Wigast	turnover of U.S. \$90 million.	35-40 all over Austria	

Catering has become an important part of the gastronomy sector. Continued outsourcing of enterprise canteens and rising demand by institutions and individuals for catering services will further increase the significance of catering companies. The rising number of air passengers and growth in traffic through Vienna's international airport contribute to this development.

In general, catering companies purchase needed raw material from wholesalers who also serve the retail food trade. However, larger catering firms often import a few products themselves. Ready to eat meals are never imported but certain products needed for the dishes are.

The turnover of catering company serving only universities is stagnating because the number of students is trending downward.

III. Competition

The main competition for U.S. suppliers is the domestic food industry, followed by suppliers of other EU countries. Germany in particular has a strong food manufacturing industry, which can supply easily neighboring Austria with original packaged and labeled (same language) products. Local and other EU-produced products have the advantages of low shipping costs and the absence of import duties.

The total value of the 1998 food imports was about U.S. \$4 billion. Due to long transportation time lags for U.S. commodities and the duty free imports from EU countries, the U.S. share is relatively small.

Only a few U.S. foods are imported by firms in this sector. However, U.S. products manufactured or packed in Austria or other EU countries are frequently used by this sector.

IV. Best Product Prospects

A. Products in the Market which have Good Sales Potential

Rice

Austria's rice requirement is met by imports which are fairly stable. The 1997 import value totaled ATS 26 million (about \$2 million), of which Italy supplied 32%, followed by the Netherlands with 26% and Belgium with 19%. The U.S. share was 9% based on official statistics. However, a large share of the rice coming from Italy, Netherlands and Germany actually originated from the U.S. and was transshipped.

Fresh Fruits

The value of annual fruit imports is about U.S. \$460 million. Imports include mainly citrus fruits and tropical fruits which are not grown in the country. Among fresh fruits, there are some opportunities for U.S. grapefruit.

Nuts

The import value of nuts is about U.S. \$7 million for almonds (U.S. share 60%, main competitor Spain); U.S. \$20 million for hazelnuts (no U.S. share, main competitor Russia); walnuts U.S. \$7 million (U.S. share 34%, main competitors Rumania, Hungary and other central European countries); U.S. \$3 million pistachios (U.S. share 21%, main competitor Iran with 50%); U.S. \$0.5 million other nuts (U.S. share 30%, main competitor Germany). Pecan imports are small (U.S. \$55,000, U.S. share 90%); but could be increased through promotions.

Dried Fruit

In addition, there is a market for U.S. dried fruits. Total imports of dried apples are U.S. \$2 million (no U.S. share, main competitors are Italy (56%), Hungary and Germany); apricots U.S. \$1 million (no U.S. share); prunes U.S. \$3 million (U.S. share 64%, main competitors France, Chile); raisins U.S. \$8 million; (U.S. share 9%, main competitors Turkey (40%), Iran); various dried fruit mixtures U.S. \$2 million (U.S. share 8%, main competitor Germany). Demand for nuts and dried fruits by the HRI sector is small. However, these products may be offered as snacks in fast food restaurants and stands.

Seafood

Domestic fish production is marginal and limited to trout and carp. Since the country is landlocked, all marine fish, shellfish and crustacea must be imported. Total seafood imports in 1997 were 47,000 MT, valued at U.S.\$190 Million. At the same time 2,100 MT were re-exported. Imports of live, fresh, frozen fish accounted for 18,400 MT (U.S.\$74 million) of which 31% came from Germany, 23% from Denmark, 12% from Netherlands, 9% from Italy and the rest from other, mainly European countries. Imports of fresh or frozen crustacea and molluscs increased since 1993 by more than 60% and reached 1,900 MT (U.S.\$170 million) in 1997. As usual, major shares came from Germany (63%), Netherlands (16%), Denmark (16%), and Italy 11%. Also the bulk of processed seafood (total 1997 imports 25,000 MT, valued (U.S.\$80 million) comes from the traditional main suppliers Germany (49%), Netherlands (11%), Denmark (4%).

The U.S. is only a marginal supplier of seafood products to Austria; in 1997, the U.S. accounted for 112 MT, valued at AS 1 million. Since 1993, imports from the U.S. increased 67% which corresponds to the total increase in seafood imports. The main seafood items from the U.S. include fresh and frozen fish and prepared seafood products. Among fresh and frozen items (74 MT), which constitute the bulk of U.S. exports to Austria, are some catfish and catfish products.

The Austrian market offers limited opportunities for U.S. exporters due to distance, lower tariffs for EFTA members (Iceland and Norway) and free imports from other EU members with large seafood industries such as Germany, Denmark, Netherlands, and Sweden. However, since demand for luxury products is growing, some sales prospects exist for U.S. seafood such as lobster, crab, shrimp and related preserved fish products for upper class restaurants. A good potential market should also exist for catfish and catfish products.

In the gastronomy, seafood has been gaining significance. The number of speciality restaurants offering seafood (Italian, Japanese restaurants) has been rising as has the demand for seafood in high class restaurants.

Wine

There is a strong trend toward consumption of foreign premium wines. Of wine imports totaling U.S. \$85 million, the U.S. share is close to one percent based on official statistics, but is actually significantly larger (due to transshipments) based on unofficial data. The main competitors are Italy, France, Spain. U.S. wines priced above U.S. \$9 per bottle are competitive, and exclusive wines in the small niche over U.S. \$80 a bottle are very competitive.

B. Products not Present in Sufficient Quantities but which have Good Sales Potential

Niche market opportunities exist for cranberry jam, cranberry juice, buffalo, antelope and other rarities for speciality and upper class restaurants.

C. Products not Present Because they Face Significant Barriers

U.S. high quality beef: At the time this report was prepared, only U.S. HQB originating from cattle not raised with hormones can be imported. The “hormone free status” must be confirmed by certain EU labs after testing. Testing is costly and time consuming which constitutes an additional barrier to the already more expensive “hormone free” beef. If an agreement on the importation of U.S. HQB coming from hormone raised cattle can be reached, a relatively large volume will be marketed, particularly in tourist areas.

Poultry: The U.S. could participate at Austria’s rising turkey demand if the EU approves U.S. poultry slaughter plants.

V. Post Contact and Further Information

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On the FAS Internet homepage the following market relevant reports for Austria are available: Food and agricultural import regulations, exporter guide, retail food sector, exporting to certain large food chains; market briefs on developments on the Austrian food market, gas station marts, catering market, seafood, wine, nuts, petfood, ready to eat dishes, rice, organic foods, and beverages.